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This Week in Canadian Agriculture, Issue 7 2003

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Report Highlights:

WTO Draft Ag Proposal Doesn't Meet Canada's Objectives * Canada Likely to Join U.S. in Any EU GMO Challenge * Outlook for Canadian Soybeans * Statistics Canada Confirms Lower Cattle Numbers; Slower Hog Expansion * CWB Suggests Using Both KVD and Varietal Declaration Systems * CWB Adds Canada Western Experimental Hard White Wheat to 2003/04 PRO * Saskpool Says Grain Inspection Proposal Risky * Barley Growers Call for Voluntary CWB * Ontario Wheat Board Seeks Loan Guarantee from Feds * Canadian Federal Budget Increases Ag Spending By \$483 Million * CFIA Revises Directive on Phytosanitary Requirements on Pathogen Causing Sudden Oak Death

... and MORE!

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

WTO DRAFT AG PROPOSAL DOESN'T MEET CANADA'S OBJECTIVES: In a February 13 news release from Agriculture and Agri-Food Canada (AAFC), AAFC Minister Lyle Vanclief and Trade Minister Pierre Pettigrew said that a draft text to advance World Trade Organization (WTO) agriculture negotiations will stimulate debate, but the ministers agreed the proposals do not meet Canada's objectives. "Advancing agriculture negotiations is central to making progress on the Doha Development Agenda," said Pettigrew. "The agriculture negotiations chair has produced a first-draft document that I am sure will be a key topic of discussion over the next two days as agriculture and trade ministers strive to make progress in meeting the March 31, 2003 deadline for commitments on subsidy reduction and market access in the agriculture sector." Vanclief stated the text reflects the ideas of Stuart Harbinson, Chair of the WTO agriculture negotiations, about the direction of negotiations. "We're pleased Mr. Harbinson has proposed the phase-out of export subsidies. However, Canada has fundamental difficulties with other parts of the text related to market access (for supply managed commodities such as dairy and poultry) and state trading enterprises (the Canadian Wheat Board). Furthermore, we also need a higher level of ambition on reducing trade-distorting subsidies. This does not achieve the level playing field that Canada is pursuing."

WTO DRAFT AGRICULTURE PLAN REVEALS WEAKNESS IN CANADIAN TRADE POSITION: According to the Canadian Restaurant and Foodservices Association (CRFA), one of the country's biggest buyers of Canadian farm products, a draft report by the World Trade Organization (WTO) underscores the need for Canada to take a more proactive stance on agriculture trade reform. While the CRFA views the report released last week by WTO ag chairman Stuart Harbinson as a small step forward, it has two serious concerns about the current state of WTO negotiations: (1) The Harbinson report doesn't go far enough in its recommendations to lower tariffs and remove export and domestic subsidies so that Canadian farmers can compete and prosper in a global economy; (2) The Canadian government steadfastly defends a flawed and detrimental trade policy. Its contradictory goals are to keep domestic dairy and poultry prices artificially high by protecting them from competition through triple-digit import tariffs, and to seek improved market access for other agriculture products. "Canada's short-sighted trade policy does little to advance the interests of Canada's agriculture sector and threatens the foodservice industry's long-term supply of domestic products," says CRFA vice president of food supply Stephanie Jones. "The Canadian government must proactively negotiate the terms and conditions for a transition to freer trade, or change will be forced upon us by the WTO. If that happens, the potential for disruption to the domestic supply of dairy and poultry products is enormous."

DAIRY FARMERS OF CANADA REJECTS DRAFT WTO PROPOSAL: On February 17, Dairy Farmers of Canada rejected Chairman Harbinson's draft modality paper on agriculture negotiations at the World Trade Organization (WTO). "If these proposals were implemented in the final WTO agreement on agriculture, they would spell the end of supply management," said Leo Bertoia, President of Dairy Farmers of Canada. "Canada's supply management is based on three pillars: effective border measures, reasonable producer returns and producer production discipline," said Bertoia. "The drastic proposals outlined in this WTO text would fatally undermine all of those pillars." "Canada's balanced position on agricultural trade takes the interests of all Canadian farmers into account and allows for the continuation of supply management; but that balance is not reflected in the draft WTO proposals," continued Bertoia. "These proposals are totally unacceptable to Canada's milk producers."

CANADA LIKELY TO JOIN U.S. IN ANY GMO CHALLENGE: The February 13 edition of *Good Morning Ontario* reported that a Canadian federal government official told the U.S. ag newspaper *Feedstuffs* that Canada shares many of the same complaints as the U.S. about the European Union's four-year-old moratorium on GM crops but that the government has yet to make any final decision on whether it will take action before the World Trade Organization. The Canadian official said in an interview with *Feedstuffs* that the Canadian government shares "many of the same views" as the U.S. on the EU's restrictions on GM crops. "We are extremely frustrated with the moratorium," the official said. "We have lost quite a bit of business because of it." Canada, like the U.S., holds that the moratorium violates rules agreed to in 1994 when WTO was established. Those rules require that governments have a sound scientific basis for blocking agricultural imports. The U.S. and Canada said this proof is absent.

OUTLOOK FOR CANADIAN SOYBEANS: According to the Canadian Soybean Export Association February 7 Canadian Soybean supply and distribution numbers, Canadian soybean producers can expect to receive lower prices for their crop in 2003-04. Canadian soybean farmers will produce a larger crop on few acres in 2003/04, writes the February 12 edition of *Good Morning Ontario*. Producers will harvest 2.46 million acres, down from the estimate of 2.53 million in 2002/03. But production will increase to 2.615 million tonnes (mt), compared to 2.335 mt in 2002/03. Imports will climb by 0.1 mt to 0.6 mt in 2003/04 and total supply will reach 3.355 mt. Export numbers are expected to rise in the coming season to 0.85 mt, up 0.2 mt from 2002/03. Ending stocks for 2003/04 are pegged at 0.215 mt, up from 0.14 in 2002/03 and above the 5 year average of 0.197 mt.

STATISTICS CANADA CONFIRMS LOWER CATTLE NUMBERS; SLOWER HOG EXPANSION: According to Statistics Canada, two years of drought in western Canada have taken their toll on Canada's cattle herd, especially in Alberta. As of January 1, 2003, Canadian cattle farmers reported 13.4 million head on their farms, down 2.8% from 13.8 million one year earlier. The slowdown in the growth of Canada's hog herd, which began early in 2002, continued throughout the rest of the year. Hog producers reported 14.7 million head on farms as of January 1, 2003, up 2.5% from the previous year. Growth has averaged 5.0% over the past five years. Canadian farmers also reported 975,600 sheep on their farms as of January 1, 2003, down 1.8% from January 1, 2002. For more information on the production and trade developments in Canada's livestock industry, see CA3009.

AQUACULTURE REPRESENTATIVE CALLS ON WILD FISH INDUSTRY TO PROMOTE SEAFOOD SECTOR: Over the past several months, anti-salmon farming groups have launched a campaign to convince U.S. consumers to stop buying farmed salmon, suggesting instead that they "go wild"-by purchasing wild-caught fish. Just recently, a B.C.-based group known as the Forest Action Network jumped on the bandwagon. The Executive Director of the Canadian Aquaculture Industry Alliance, David Rideout, issued a statement this week in response to what he termed the misinformation campaign launched against salmon farmers by North American environmental groups. He called on his counterparts in the wild fish industry to resist the attempt by outside groups to divide the wild and farmed fish sectors and to unite in bringing a good news message about fish and seafood to consumers. "What should concern everyone in the business of growing fish and shellfish is the extent to which the misinformation campaign against farmed salmon has been covered by the mass media-without questioning any of the information sources or research." said Rideout.

CWB SUGGESTS USING BOTH KVD AND VARIETAL DECLARATION SYSTEMS: The Canadian Wheat Board (CWB), in response to the Variety Eligibility Declaration (VED) system proposed by the Canadian Grain Commission (CGC), is recommending that, in the short term, a combination of the Kernal Visual Distinguishability (KVD) systems be used to reduce the risk of non-registered wheat varieties entering the western Canadian grain supply. The first stage would enhance the KVD system for wheat by introducing the following components without changing the current varietal registration system: class eligibility lists so farmers know which varieties are registered for each class; declarations required from farmers, elevator managers and at each point of grain transfer; monitoring of all vessels for varietal composition to ensure customer satisfaction; testing capacity for random monitoring and a trace-back process if a problem is found; incentives, penalties and liability to support adherence to the system; and export certification by the CGC to guarantee the quality of ship cargoes. If this first stage is shown to work, then changes could be made to the registration process for smaller classes of wheat. At that point, a cost-benefit review process for registration of proposed non-KVD varieties would evaluate each variety on a case-by-case basis. The registration system for CWRS and Canada Amber Durum wheat classes would not be altered until testing proves successful for the smaller classes.

CWB ADDS CANADA WESTERN EXPERIMENTAL HARD WHITE WHEAT TO 2003/04 PRO: The Canadian Wheat Board (CWB) announced that it had added Canada Western Experimental Hard White (CWHW) wheat to its monthly Pool Return Outlook for 2003/04. Based on the amount of pedigreed seed available, the CWB is projecting a CWHW crop of 200,000 tonnes in 2003/04. Target markets for CWHW are mostly in Asia, including Korea, Japan, China, Taiwan, Thailand, Malaysia, Philippines and Singapore, where white wheat is especially valued for noodle production. CWHW is a high quality, versatile wheat, however, and it will also be marketed for various types of bread and other products, such as common wheat pasta, cookies and crackers. There has also been interest in CWHW from customers in other markets, including the United Kingdom and the United States. There are currently two registered varieties of CWHW, Snowbird and Kanata, with commercial quantities of Snowbird available in 2003/04. Commercial quantities of Kanata should be available in 2004/05.

SASKPOOL SAYS GRAIN INSPECTION PROPOSAL RISKY: A February 13 *Reuters* article reported that proposed changes for Canada's grain inspection system could pose liability issues for exporters, according to Richard Wansbutter, a vice-president of commercial relations with Saskatchewan Wheat Pool (SWP), Canada's No. 2 grain company. The Canadian Grain Commission (CGC) wants to start a new system of affidavits or "declarations" designed to allow farmers to deliver into the bulk grain handling system new varieties of grain that cannot be distinguished by the naked eye from similar grains grown for different uses. "There's some real serious problems with some of these concepts," said Wansbutter. "It's a big liability or risk issue," he said. "You can't address a problem after a boat is loaded and on its way to an end user -- (it's a) huge, huge risk." Under the proposed new system, grain companies would be given an "interim certificate final" when a vessel is loaded with grain, until Canadian Grain Commission tests confirm the varieties present in a shipment. "It's a verification that we have loaded exactly what's been required, so there's no issue when it arrives at port," Wansbutter said, "Administration costs could also prove to be prohibitive."

BARLEY GROWERS PASS RESOLUTION CALLING FOR VOLUNTARY CWB: At their annual meeting in Calgary, Alberta, February 12-14, the Western Barley Growers Association (WBGA) passed a number of resolutions pertaining to the Canadian Wheat Board (CWB). Members called on the federal government to implement a voluntary CWB, allowing farmers to sell directly to the domestic malting industry and demanding the sole focus of the CWB remain on its mandate of selling wheat and barley. Other resolutions included: Support for Bill 207, the Alberta provincial government's "Alberta Wheat and Barley Test Marketing Act", a request that the Canadian Grain Commission (CGC) make changes to the current grading system and support for work being done on the agriculture safety net programs. "The resolutions passed by WBGA members at the annual convention last week expressed strong support for the policy direction we have followed and also gives us direction to continue working toward solutions" said Doug McBain, newly-elected president of the Western Barley Growers Association (WBGA), when commenting on resolutions passed at the WBGA annual convention. The Board of Directors elected Douglas McBain of Cremona, AB. as President; Jeff Neilson of Olds, AB. as Vice President; Rick Strankman of Altario, AB. as Treasurer; Art Walde of Kindersley, SK. as Saskatchewan Vice President and Doug Robertson of Carstairs, AB. as Alberta Vice President.

ONTARIO WHEAT BOARD SEEKS LOAN GUARANTEE FROM FEDS: According to an article from the *Ontario Farmer*, the Ontario Wheat Producers Marketing Board (OWPMB) is negotiating with the Agriculture and Agri-Food Canada to have the federal government switch from guaranteeing an initial payment to a loan guarantee, following an internal board decision allowing Ontario wheat growers to market their wheat outside the board's pools. While the board has not heard back from the province of Ontario regarding the board's request to have all wheat covered by the grain financial protection fund. OWPMB general manager Jaye Atkins said that the board has also talked to major financial institutions, but they want seven to nine percent interest rates if there is no government guarantee compared to 2.6% interest if there is a government guarantee. In a related article from *Good Morning Ontario*, it was noted that Atkins will be leaving the OWPMB to become general manager of the Perth County Co-operative, effective the beginning of March, 2003.

CANADIAN FEDERAL BUDGET INCREASES AG SPENDING BY\$483 MILLION: In the Canadian federal budget handed down on February 18, in addition to the C\$5.2 billion in funds committed to the Agricultural Policy Framework (APF) over the next six years, the Government of Canada announced additional funding of C\$483 million for several areas: (1) C\$220 million in the current fiscal year to provide an advance to the Crop Reinsurance Fund; (2) C\$100 million over the next two fiscal years to the Canadian Food Inspection Agency to help it maintain the food safety system; (3) C\$30 million over the next two fiscal years to the Canadian Grain Commission to allow it to maintain its level of service to Canadian farmers; (4) C\$113 million in the current fiscal year for infrastructure improvements at Canada's four veterinary colleges; and, (5) C\$20 million over the next two years to supplement Farm Credit Canada investments for further promotion of "innovation in the agricultural sector." The 2003 federal budget also committed C\$11 million over the next two years to "bolster Canada's representation and trade promotion activities in the U.S."

ETHANOL INDUSTRY EYES BUDGET MONEY: According to the February 19 edition of *Good Morning Ontario*, the Advancing Sustainable Development Budget 2003 includes measures totaling C\$3 billion to promote sustainable development and a healthier environment. This includes C\$2 billion over five years in measures to help implement the Climate Change Plan for Canada. The budget says that actions to promote energy efficiency, renewable energy, sustainable transportation and new alternative fuels, in such areas as building retrofits, wind power, fuel cells and ethanol, will be considered. "The ethanol industry is ready, willing and able to take advantage of that fund tomorrow," said Bliss Baker, President of the Canadian Renewable Fuels Association (CRFA) said in a release. "We have projects ready to go, business plans developed and investors waiting for the green light," he added. While details of the fund are still to be worked out, the CRFA plans to move quickly to work with officials to implement the Budget commitment. "The challenge now is to get on with it. Ethanol is ready to go," stated Baker.

CFIA REVISES DIRECTIVE ON PHYTOSANITARY REQUIREMENTS ON PATHOGEN CAUSING SUDDEN OAK DEATH: The Canadian Food Inspection Agency (CFIA) has made minor revisions to Directive D-01-01, *"Phytosanitary Requirements to Prevent the Entry of Phytophthora ramorum Associated with Sudden Oak Death into Canada."* This directive contains the phytosanitary requirements for the importation of propagative and non-propagative host materials, of a serious pathogen *Phytophthora ramorum* (sudden oak death) affecting a broad range of plants. This policy has been revised to remove the permit requirements for uninfested areas of the United States and to amend the list of host plants of *Phytophthora ramorum*. For additional information, visit the following CFIA web site:
<http://www.inspection.gc.ca/english/plaveg/protect/dir/d-01-01e.shtml>

Did You Know ...that with over C\$42 billion in annual sales, the Canadian foodservice industry represents 4.2% of Canada's gross domestic product and 6.6% of employment, making it one of Canada's biggest employers? (Source: Canadian Restaurant and Foodservices Association).

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA3010	This Week in Canadian Agriculture, Issue 6	2/14/2003
CA3009	Semi-Annual Livestock Report	2/10/2003

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